

# TAXPAYERS IN THE MILITARY

To better serve you, the Arizona Department of Revenue offers online assistance and filing of your business taxes. To file your taxes online or to register to use the website, go to [www.aztaxes.gov](http://www.aztaxes.gov).

This publication is designed to provide general information with respect to the Arizona income tax treatment of taxpayers in the military. For complete details, refer to the Arizona Revised Statutes. In case of inconsistency or omission in this publication, the Arizona Revised Statutes will prevail.

## Arizona Income Tax Returns

- Q.** Who must file an Arizona income tax return?
- A.** An individual is required to file an Arizona income tax return if he or she has for the taxable year:
1. An Arizona adjusted gross income of \$5,500 or more if single, unmarried head of household or married filing a separate return.
  2. An Arizona adjusted gross income of \$11,000 or more if married filing a joint return.
  3. Gross income of \$15,000 or over, regardless of the amount of taxable income.
- Q.** May a taxpayer complete a photocopied tax form in lieu of an original?
- A.** Yes.

## Residency for Arizona Income Tax Purposes

- Q.** I was an Arizona resident when I joined the service and am now stationed outside of Arizona. Will I continue to be an Arizona resident for income tax purposes?
- A.** Yes. For Arizona purposes, an individual who was an Arizona resident when entering the service is considered to be an Arizona resident regardless of where the individual is stationed. That individual would continue to be an Arizona resident until a change of domicile is established.
- An Arizona resident individual is taxable on all income regardless of where it is earned. Therefore, an active duty military person who is an Arizona resident stationed outside of Arizona is subject to Arizona income tax.
- Q.** Can an Arizona resident in the armed forces change his or her residency to another state? If so, how?
- A.** Yes, it is possible for an individual in active military service to change residency.

The question of residency for state income tax purposes cannot be answered by a general rule but depends largely on the circumstances of each case.

An individual who enters the military from Arizona continues to be a resident for state income tax purposes, even when temporarily absent from the state by reason of military orders. However, it is possible for an individual in active military service to change

residency by showing evidence of definite intent to change. Examples of actions that are considered in determining a person's change of residency are:

- (1) physical presence of yourself, and your spouse and children, if any, in the new locality,
- (2) registering to vote in the location of the new domicile and notifying voter registration officials in the old locality of your change of domicile,
- (3) location of bank accounts and business connections in new locality,
- (4) purchase of a home in new locality and/or sale of an old home in former locality,
- (5) payment of personal or real property taxes in new locality,
- (6) payment of state income taxes in new locality,
- (7) registration of automobile in the new locality,
- (8) applying for or renewing a driver's license in new location and relinquishing your old one, and
- (9) consistent use of new location permanent address on all appropriate records and correspondence.

Military persons claiming a change of residence from Arizona to another state should also complete the appropriate military forms necessary for formalizing such a change. However, completing such forms is only one indication of the intent of an individual to abandon an existing residency and to establish a new one.

The determination of residency is dependent on physical presence and an intent to abandon the former residence and remain in the new residence for an indefinite period of time. A new residence can only come into being when both of these criteria coexist.

## Arizona Resident Active Duty

- Q.** I am single and an active duty military member who is an Arizona resident stationed in Arizona. What income tax form should I file, and what income should I report on that form?
- A.** You should file an Arizona resident return, Form 140, 140A, or 140EZ. You should report all of your income.
- Q.** I am single and an active duty military member who is an Arizona resident stationed **outside** of Arizona. What income tax form should I file, and what income should I report on that form?
- A.** You should file an Arizona resident return, Form 140, 140A or 140EZ. You should report all of your income.
- Q.** I am married and an active duty military member who is an Arizona resident stationed in Arizona. My spouse is also an Arizona resident who is living in Arizona. What income tax form should we file, and what income should we report on that form?
- A.** You should both file an Arizona resident return, Form 140, 140A or 140EZ. Only one return is required if you file as married filing jointly. If filing "married filing jointly," report all income. If filing separate returns,

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each spouse must report his/her separate income (if any) and one-half of community income. You may not file Form 140EZ if filing separate returns.

- Q.** I am married and an active duty military member who is an Arizona resident stationed outside of Arizona. My spouse is also an Arizona resident living outside of Arizona. What income tax form should we file, and what income should we report on that form?
- A.** You should both file an Arizona resident return, Form 140, 140A or 140EZ. Only one return is required if you file as married filing jointly. If filing "married filing jointly," report all income. If filing separate returns, each spouse must report his/her separate income (if any) and one-half of community income. You may not file Form 140EZ if filing separate returns.

## Arizona Resident Active Duty Stationed Overseas

- Q.** I was an Arizona resident when I joined the service and am now stationed overseas. Do I still need to file Arizona tax returns?
- A.** Yes. If you were an Arizona resident when you entered the service, you continue to be a resident of Arizona regardless of where you are stationed, unless you establish a change of domicile. Therefore, you are subject to Arizona income tax and should use the Arizona resident return, Form 140, 140A or 140EZ.
- Q.** Are military personnel stationed overseas allowed additional time to file tax returns? If so, what are the time extensions?
- A.** When a taxpayer is granted a federal extension, Arizona will recognize the federal extension for Arizona purposes for the same period of time. If an individual requires an extension for Arizona purposes only, the taxpayer may request an Arizona filing extension. To request an extension of time to file until August 15, file Form 204 on or before April 15. Ninety percent of the tax due must be paid on or before April 15 and should accompany the extension request. The department will automatically grant this extension. To request an additional two month extension until October 15, the taxpayer must file a new Form 204 before the extended due date of August 15. When an individual is outside of the United States and it is impossible or impractical to file or pay Arizona taxes by reason of being outside the country, the interest or penalties that might otherwise be assessed may be waived. In such a case, the taxpayer should submit a written request to the tax audit section of the Arizona Department of Revenue explaining the circumstances for failing to file and request a waiver of any interest or penalties. This request should be made as soon as practical after returning to the United States. The request and returns should be filed separately. A copy of the request should be submitted with the return also.

## Part-Year Resident Active Duty

- Q.** I established Arizona residency part way through the tax year. Which income tax form should I file, and what income should I report on that form?
- A.** You must report on Form 140PY all income, including your military income, for the period you were an Arizona resident. You also must report any nonmilitary income earned in Arizona prior to establishing residency.
- Q.** Is a military member who changes his or her residency status during the year from or to Arizona allowed full exemptions?
- A.** A military person who changes his or her residence from or to Arizona will be treated as a part-year resident. A military person who is a part-year resident is allowed the full personal exemption and full dependency exemptions if he or she is active in the military on the date the Arizona residency commences or terminates.

## Nonresident Active Duty

- Q.** Is a legal resident of another state who is stationed in Arizona on military orders liable for Arizona income taxes on military pay?
- A.** No. However, this person is liable for Arizona income taxes on any other income earned from employment or property in Arizona.
- Q.** I am an Arizona nonresident stationed in Arizona and have a part-time job off-base; do I need to file an Arizona income tax return?
- A.** Yes, if your Arizona income meets Arizona's filing requirement threshold. Any nonmilitary income earned in Arizona must be reported on Form 140NR.
- Q.** Are nonresident military personnel allowed full exemptions?
- A.** A nonresident military person must prorate dependency exemptions. The deduction is limited to only that portion that represents the proration of Arizona adjusted gross income to federal adjusted gross income. However, a nonresident military person is not required to prorate the personal exemption.
- Q.** I am single and an active duty military member who is an Arizona nonresident stationed in Arizona. What income tax form should I file, and what income should I report on that form?
- A.** You should file an Arizona nonresident return, Form 140NR, only if you have **nonmilitary** income from an Arizona source. Arizona will not tax your military income. If your only income is military income, you should not file an Arizona income tax return.
- Q.** I am married and an active duty military member who is an Arizona nonresident stationed in Arizona. My spouse is also an Arizona nonresident living in Arizona. What income tax form should we file, and what income should we report on that form?

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- A.** You should file an Arizona nonresident return, Form 140NR, only if you or your spouse have nonmilitary income from an Arizona source. Arizona will not tax your military income. If your only income is military income, you should not file an Arizona income tax return. If your spouse has Arizona income, Form 140NR must be filed to report all of this income.
- Q.** I am married and an active duty military member who is an Arizona nonresident (a resident of a non-community property state) stationed in Arizona. My spouse is an Arizona resident living in Arizona. What income tax form should we file, and what income should I report on that form?
- A.** If filing separate returns, the military member should file an Arizona nonresident return, Form 140NR, reporting one-half of community income derived from Arizona sources, not including military income. The non-military spouse should file an Arizona resident return, Form 140 or 140A, reporting all separate income and one-half of community income, but not including any military income. If filing “married filing jointly”, you must file an Arizona nonresident return, Form 140NR. The joint return must reflect the same income required to be reported for separate returns.
- Q.** I am married and an active duty military member who is an Arizona nonresident (a resident of a community property state) stationed in Arizona. My spouse is an Arizona resident living in Arizona. What income tax form should we file, and what income should I report on that form?
- A.** If filing separate returns, the military member should file an Arizona nonresident return, Form 140NR, reporting one-half of community income derived from Arizona sources, not including military income, and any separate income from Arizona sources. The non-military spouse should file an Arizona resident return, Form 140 or 140A, reporting all separate income and one-half of community income from all sources, excluding military income. If filing “married filing jointly”, you must file an Arizona nonresident return, Form 140NR. The joint return must reflect the same income required to be reported for separate returns.

## Reservists

- Q.** How are reservists who are called to active duty taxed?
- A.** For Arizona purposes, reservists called to active duty are taxed on the same basis as active duty military personnel. If an individual is stationed in Arizona on military orders, but is not an Arizona resident, then the reservist’s military pay is not taxed by Arizona. However, if the reservist is an Arizona resident, his or her reserve pay will be taxed by Arizona regardless of where the service is performed.

## Arizona Treatment of Combat Pay

- Q.** Does Arizona tax combat pay?
- A.** Arizona does not tax combat pay. Members of the U.S. armed forces may subtract the amount of pay received for serving in a combat zone or an area given the treatment of a combat zone to the extent included in federal adjusted gross income and subject to Arizona tax. A full year Arizona resident may take this subtraction on form 140 only. A full year resident may not take this subtraction if filing Form 140A or 140EZ. A part-year resident military member may take this subtraction on form 140PY.

## Arizona Withholding on an Arizona Resident’s Active Duty Military Pay

- Q.** I am an active duty military member who is an Arizona resident. Is Arizona income tax required to be withheld from my military pay?
- A.** Active duty military pay is subject to mandatory Arizona withholding. State withholding is taken out of each paycheck similar to federal withholding. However, an Arizona resident military member who is stationed outside of Arizona may elect not to have Arizona income tax withheld from his or her military pay. As an Arizona resident, you are subject to Arizona income taxes on all of your income (including military pay). Therefore, the election not to have Arizona taxes withheld from your military pay does not relieve you from liability for Arizona income taxes. The election not to have Arizona withholding may not be made if you are stationed in Arizona.

## For Additional Information, call:

Phoenix ..... (602) 255-3381  
Toll free from area codes 520 & 928 ..... (800) 352-4090

## For Hearing Impaired - TDD only:

Phoenix ..... (602) 542-4021  
Toll free from area codes 520 & 928 ..... (800) 397-0256

## Or Write to:

Arizona Department of Revenue  
Taxpayer Information & Assistance  
1600 W Monroe  
Phoenix AZ 85007

## For Related Tax Information:

Internet..... [www.azdor.gov](http://www.azdor.gov)  
Recorded Tax Information ..... (602) 542-1991  
Toll free from area codes 520 & 928 ..... (800) 845-8192  
Forms by Mail..... (602) 542-4260  
Forms by Fax ..... (602) 542-3756

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